Results for announcement to the market

30 September 2017

Financial Results	Sep 2017 $'000	Sep 2016 $'000
Revenue from ordinary activities	38,900	39,630
Loss after income tax	(3,897)	(2,645)
Net loss for the period attributable to members	(3,897)	(2,645)

Net Tangible Asset Backing	Sep 2017	Sep 2016
Net tangible asset backing per ordinary security	$0.660	$0.811

Financial statements
Refer to the attached consolidated financial statements for the half year ended 30 September 2017.

Accounting standards used by foreign entities
Refer to Notes to the Consolidated Financial Statements for the half year ended 30 September 2017.

Commentary on results and Outlook
Refer to the Review and Results of Operations section of the Directors' Report of the attached consolidated financial statements for the half year ended 30 September 2017.

Audit / review of accounts upon which this report is based and Qualification of audit / review
This report is based on accounts which have been reviewed by Ernst & Young. Ernst & Young has issued an un-qualified review report on the financial statements for the Neptune Marine Services Group for the half year ended 30 September 2017.

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Interim Financial Report for the Half Year Ended 30 September 2017

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

30 September 2017

ABN: 76 105 665 843

CONTENTS

CORPORATE INFORMATION

Directors

Mr Boon Wee Kuah
Chairman

Mr Robin King
Executive Director

Mr Peter Wallace
Non-Executive Director

Mr Dominic Siu
Non-Executive Director

Company Secretary

Mr Ian Hobson

Registered Office

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

Principal Place of Business

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce
Perth, WA. 6000

Auditors

Ernst & Young
11 Mounts Bay Road
Perth, WA, 6000

Stock Exchange
ASX Limited
Central Park, 152-158 St Georges Tce
Perth, WA, 6000

ASX Code
NMS

DIRECTORS' REPORT

Your Directors present their report on Neptune Marine Services Limited and its controlled entities ('the Group') for the half year ended 30 September 2017.

Directors

The names of the Group Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Boon Wee Kuah
Mr Robin King
Mr Peter Wallace
Mr Dominic Siu

Review and Results of Operations

The loss before tax amounted to $3.973m (September 2016 loss: $2.549m) and the consolidated loss of the Group after providing for income tax amounted to $3.897m (September 2016 loss: $2.645m).

The Company's financial results continued to be impacted by the challenging market conditions in the global Oil and Gas industry, with clients delaying non-essential projects and reducing operating and capital expenditure. The Company's ROV service line has been impacted most by the challenging conditions with low utilisation rates experienced for the first half of the year. However, despite the market conditions, Engineering and Manufacturing in the UK and Survey in Australia has performed strongly in the first half of the year.

The Company continues to undertake work on key projects with key clients including:

- Engineering and manufacturing work undertaken in the UK for BP and Repsol Sinopec;
- Surveying work in Australia for PTTEP on its Cash Maple field and continued work on the Ichthys field operated by Inpex;
- Diving work in Australia for Chevron at Barrow Island under the Company's long term MSA agreement and new diving scopes for South32 at its Groote Eylandt facility; and
- Integrated service solutions provided to Oil Search in Papua New Guinea and the Sea Trucks Group in Argentina.

The working capital of the Group remains strong with a current working capital position of $19.222 million (31 March 2017: $22.751 million). Interest Bearing Debt also remains at very low levels with a total outstanding of $0.319m (31 March 2017: $0.774m).

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Company is an entity to which the Instrument applies.

Basic and diluted profit/(loss) per share

The basic and diluted loss per share is 0.063 (September 2016: basic and diluted loss per share is 0.043).

Dividends

There have been no dividends declared or paid during the six months to 30 September 2017.

Significant Changes in State of Affairs

No significant changes in the state of affairs occurred during the half-year ended 30 September 2017.

Future Developments, Prospects and Business Strategies

Neptune will focus on maximising revenue, managing its cost base, targeting new areas for growth and working to identify complementary partners as the challenging climate of the global oil and gas industry continues.

Auditor Independence Declaration

Section 307(c) of the *Corporations Act 2001* require the Company's auditors, Ernst & Young to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 30 September 2017. The written Auditor's Independence Declaration on page 7 forms part of this Directors' report.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

Chairman

Mr Boon Wee Kuah

Dated this 30th day of November 2017

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Neptune Marine Services Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of Neptune Marine Services Limited are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2017 and of its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporation Regulations 2001*; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Chairman

Mr Boon Wee Kuah

Dated this 30th day of November 2017

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

As lead auditor for the review of Neptune Marine Services Limited for the half-year ended 30 September 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Neptune Marine Services Limited and the entities it controlled during the financial period.

Ernst & Young

T G Dachs
Partner
30 November 2017

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

		Consolidated Group	
		6 months ended 30 September	6 months ended 30 September
	Note	2017	2016
		$000	$000
Revenue from rendering of service	4(a)	38,900	39,630
Other revenue	4(a)	25	61
Total revenue		38,925	39,691
Cost of sales and services rendered		(32,604)	(29,618)
Gross profit		**6,321**	**10,073**
Other income	4(b)	1,072	424
Marketing expenses		(45)	(51)
Occupancy expenses		(1,730)	(1,991)
Corporate, shared service and board expenses	5(a)	(1,330)	(1,107)
Business operating expenses	5(b)	(8,045)	(9,609)
Technical expenses		(134)	(142)
Finance costs		(82)	(113)
Other expenses	5(c)	-	(33)
Loss before income tax		(3,973)	(2,549)
Income tax benefit/(expense)	6	76	(96)
Loss for the period		**(3,897)**	**(2,645)**
Earnings per share			
Basic/diluted loss per share (cents per share)	7	(0.063)	(0.043)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Consolidated Group	
	6 months ended 30 September	6 months ended 30 September
	2017	2016
	$000	$000
Net loss for the period	**(3,897)**	**(2,645)**
Other Comprehensive Income		
Items in other comprehensive income that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	210	(1,419)
Net fair value loss on hedging instruments entered into for cash flow hedges	25	(258)
Other comprehensive profit/(loss) for the period, net of tax	**235**	**(1,677)**
Total comprehensive loss for the period	**(3,662)**	**(4,322)**
Total comprehensive loss for the period attributable to members of the parent	**(3,662)**	**(4,322)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

		Consolidated Group	
		30 September	31 March
	Note	2017	2017
ASSETS		$000	$000
CURRENT ASSETS			
Cash and cash equivalents	8	8,349	12,603
Trade and other receivables	9	14,216	16,556
Inventories		665	1,086
Other current assets		8,756	7,278
TOTAL CURRENT ASSETS		**31,986**	**37,523**
NON-CURRENT ASSETS			
Property, plant and equipment	10	16,543	17,320
Deferred tax assets		6,198	5,931
Intangible assets and goodwill	11	13,452	13,409
TOTAL NON CURRENT ASSETS		**36,193**	**36,660**
TOTAL ASSETS		**68,179**	**74,183**
CURRENT LIABILITIES			
Trade and other payables	12	11,072	13,162
Current tax liability		617	451
Interest bearing loans and borrowings		203	309
Provisions		872	850
TOTAL CURRENT LIABILITIES		**12,764**	**14,772**
NON-CURRENT LIABILITIES			
Trade and other payables	12	268	333
Interest bearing loans and borrowings		116	465
Deferred tax liabilities		174	191
Provisions		868	771
TOTAL NON-CURRENT LIABILITIES		**1,426**	**1,760**
TOTAL LIABILITIES		**14,190**	**16,532**
NET ASSETS		**53,989**	**57,651**
EQUITY			
Contributed equity	13	273,540	273,540
Reserves		(15,490)	(15,725)
Accumulated losses		(204,061)	(200,164)
TOTAL EQUITY		**53,989**	**57,651**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
Consolidated Group	$000	$000	$000	$000	$000	$000
Balance at 1 April 2016	273,540	(187,019)	(20,244)	6,127	395	72,799
Net loss for the period	-	(2,645)	-	-	-	(2,645)
Other comprehensive loss	-	-	(1,419)	-	(258)	(1,677)
Total comprehensive income for the period	-	(2,645)	(1,419)	-	(258)	(4,322)
Transactions with owners in their capacity as owners						
Dividend paid	-	(4,915)	-	-	-	(4,915)
Subtotal	-	(7,560)	(1,419)	-	(258)	(9,237)
Balance at 30 September 2016	273,540	(194,579)	(21,663)	6,127	137	63,562
Balance at 1 April 2017	273,540	(200,164)	(22,063)	6,127	211	57,651
Net loss for the period	-	(3,897)	-	-	-	(3,897)
Other comprehensive profit	-	-	210	-	25	235
Total comprehensive profit/(loss) for the period	-	(3,897)	210	-	25	(3,662)
Balance at 30 September 2017	273,540	(204,061)	(21,853)	6,127	236	53,989

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

		Consolidated Group	
	Note	6 months ended 30 September 2017 $000	6 months ended 30 September 2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		41,205	55,797
Interest received		25	61
Payments to suppliers and employees		(44,441)	(45,685)
Interest paid		(82)	(113)
Income tax paid		(15)	(211)
Net cash flows (used)/from operating activities		(3,308)	9,849
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property, plant and equipment		115	65
Purchase of property, plant and equipment		(774)	(672)
Net cash flows used in investing activities		(659)	(607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(4,915)
Repayment of borrowings		(483)	(135)
Receipt of deposits for bank guarantee		1	40
Net cash flows used in financing activities		(482)	(5,010)
Net (decrease)/increase in cash and cash equivalents held		(4,449)	4,232
Cash and cash equivalents at beginning of financial period		12,603	14,165
Net foreign exchange difference		195	(765)
Cash and cash equivalents at end of financial period	8	8,349	17,632

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The interim financial report of Neptune Marine Services Limited ("Group") for the half-year ended 30 September 2017 was authorised for issue in accordance with a resolution of the Director's on 30th November 2017.

The interim financial report covers the consolidated Group of Neptune Marine Services Limited and its controlled entities. Neptune Marine Services Limited is a listed public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities are described in Note 3.

2. Basis of Preparation and Changes to the Group's Accounting Policies

Basis of Preparation

This interim financial report for the half year ended 30 September 2017 is a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the 12 months ended 31 March 2017 and considered together with any public announcements made by Neptune Marine Services Limited during the half year ended 30 September 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

New Standards, Interpretations and Amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial reporting period except as follows:

Reference	Title	Application date of standard	Application date for Group
AASB 2016-1	*Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses* *The Standard makes amendments to AASB 112 Income Taxes to clarify accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.*	1 January 2017	1 April 2017
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* *The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).*	1 January 2017	1 April 2017

New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided to customers. Discrete financial information about each of these operating businesses is reported to the Executive management on at least a monthly basis.

Neptune Marine Services comprises the two distinct divisions of Offshore Services and Engineering Services. Globally, the company has operational bases in Australia, South East Asia and the United Kingdom. The services provided to customers are on an Offshore and Engineering basis and can combine services from multiple regions. Management assesses performance and determines the allocation of resources based on products and services, as these are the sources of the Group's major risks and have the most impact on the rates of return.

Offshore Services

The Offshore Services division provides the oil and gas, marine and associated industries with a range of specialised services, including: commercial diving, inspection, repair and maintenance support, difficult and confined area access via rope access, tension netting and modular platforms, remotely operated vehicles (ROVs), subsea pipeline/cable stabilisation and protection, hydro graphic surveying, positioning and geophysical support, and project management.

Engineering Services

The Engineering Services division provides the oil and gas, marine, renewable energy and associated industries with a range of specialised services, including: subsea and pipeline engineering, fabrication, assembly and testing, refurbishment, installation, maintenance, the patented NEPSYS® dry underwater welding technology, and project management.

Accounting Policies and Inter-segment Transactions

The accounting policies used by the Group in reporting segments internally are the same as those to prepare the financial report except as detailed below:

Inter-entity Sales

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non–segmental expenses such as head office expenses and interest. Corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Finance costs
- Corporate overhead & administration expenses
- Technical expenses
- Share-based payments
- Foreign exchange gain/ (loss)
- Deferred tax assets and liabilities

3. Operating Segment Information (continued)

The following table presents revenue and profit information for the reportable segments:

	Engineering		Offshore Services		Total	
	September 2017	September 2016	September 2017	September 2016	September 2017	September 2016
	$000	$000	$000	$000	$000	$000
Revenue						
Sales to external customers	6,646	11,937	32,254	27,693	38,900	39,630
Intersegment sales	3,721	2,835	6,831	9,003	10,552	11,839
Other revenue	-	3	25	59	25	61
Total revenue	10,367	14,775	39,110	36,755	49,477	51,530
Internal sales elimination					(10,552)	(11,839)
					38,925	39,691
Result						
Segment results before items below	33	311	(2,471)	(1,742)	(2,438)	(1,431)
Reconciliation of segment net profit before tax to net profit before tax						
Finance costs					(82)	(113)
Corporate overhead & administration expense					(1,349)	(1,278)
Technical expenses					(134)	(49)
Share-based payments					19	171
Foreign exchange gain					11	151
Net profit/(loss) before tax per the income statement					(3,973)	(2,549)

	Engineering		Offshore Services		Total	
	September 2017	March 2017	September 2017	March 2017	September 2017	March 2017
	$000	$000	$000	$000	$000	$000
Segment assets						
Operating assets	8,415	7,460	40,829	48,238	49,244	55,694
Goodwill	4,756	3,573	7,981	8,895	12,737	12,558
Segment assets	13,171	11,033	48,810	57,219	61,981	68,252
Reconciliation of segment assets to the statement of financial position						
Deferred tax assets					6,198	5,931
Total assets per the statement of financial position					68,179	74,183

4. Revenue and Other Income

	Consolidated Group	
	30 September 2017	30 September 2016
	$000	$000
a) Revenue		
— Rendering of services revenue from operating activities	38,900	39,630
— Interest received	25	61
Total Revenue	38,925	39,691
b) Other Income		
— Insurance proceeds	351	213
— Foreign exchange gain	11	-
— Gain on disposal of property, plant and equipment	60	-
— Other income	650	211
Total Other Income	1,072	424

5. Expenses

		Consolidated Group	
		30 September 2017 $000	30 September 2016 $000
a)	Corporate, shared service and board expenses		
—	Administrative costs	167	138
—	Personnel expenses	1,082	804
—	Depreciation expense	48	106
—	Other	33	59
Total corporate, shared service and board expenses		1,330	1,107
b)	Business operating expenses		
—	Administrative costs	2,165	2,831
—	Personnel expenses	5,236	6,074
—	Depreciation expense	268	257
—	Other	376	447
Total Business operating expenses		8,045	9,609
c)	Other expenses		
—	Loss on disposal of property, plant and equipment	-	184
—	Foreign exchange loss	-	(151)
Total other expenses		-	33

Loss on disposal of property, plant and equipment includes asset write offs subject to insurance claims.

d)	Depreciation and amortisation:		
i)	Included in cost of sales		
—	Depreciation	1,201	1,453
Total		1,201	1,453
ii)	Included in administrative expenses		
—	Depreciation	298	330
—	Amortisation	136	150
Total		434	480
Total depreciation and amortisation		1,635	1,933

6. Income Tax

The major components of income tax expense in the income statement for the half-year are:

	Consolidated Group	
	30 September 2017 $000	30 September 2016 $000
Income taxes		
Current income tax expense	(206)	(137)
Deferred income tax benefit related to origination and reversal of deferred taxes	282	41
Income tax benefit/(expense)	76	(96)
Income tax benefit recognised in other comprehensive income	3	134
Total income taxes	79	38

6. Income Tax (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

7. Loss per Share

		Consolidated Group	
		30 September 2017 $000	**30 September 2016 $000**
(a)	Earnings used in calculating loss per share		
	For basic loss per share		
	Net loss attributable to ordinary equity holders of the parent	(3,897)	(2,645)
	Net loss attributable to ordinary equity holder of the parent	(3,897)	(2,645)
	For diluted loss per share		
	Net loss attributable to ordinary equity holders of the parent	(3,897)	(2,645)
	Net loss attributable to ordinary equity holder of the parent	(3,897)	(2,645)
		No.	**No.**
(b)	Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share	61,441	61,441
	Dilutive effect of rights	-	100
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive loss per share	61,441	61,541

8. Cash and Cash Equivalents

	Consolidated Group	
	30 September 2017 $000	**31 March 2017 $000**
Cash at bank and in hand	7,217	11,693
Short term deposits	1,132	910
	8,349	12,603

9. Trade and Other Receivables

	Consolidated Group	
	30 September 2017	**31 March 2017**
CURRENT	**$000**	**$000**
Trade receivables	15,347	17,057
Allowance for impairment loss	(1,428)	(734)
	13,919	16,323
Other receivables	297	233
	14,216	16,556

Due to the short-term nature of these receivables, their carrying value approximates their fair value.

10. Property, Plant and Equipment

	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Motor Vehicles $000	ROV's & Vessels $000	Construction in Progress $000	Total $000
Consolidated Group:							
Balance at 31 March 2017							
Gross carrying amount	5,071	1,872	21,563	424	26,270	331	55,531
Accumulated depreciation and impairment	(2,973)	(438)	(13,463)	(243)	(21,094)	-	38,211
Net carrying amount	**2,098**	**1,434**	**8,100**	**181**	**5,176**	**331**	**17,320**
Balance at 30 September 2017							
Gross carrying amount	5,141	1,872	21,694	427	24,807	253	54,194
Accumulated depreciation and impairment	(3,133)	(521)	(13,996)	(265)	(19,736)	-	(37,651)
Net carrying amount	**2,008**	**1,351**	**7,698**	**162**	**5,071**	**253**	**16,543**

11. Intangible Assets and Goodwill

	Consolidated Group	
	30 September 2017 $000	**31 March 2017 $000**
Goodwill		
Opening balance	12,558	13,111
Foreign exchange differences	179	(553)
Closing balance	12,737	12,558
Development costs		
Opening balance	851	1,137
Amortisation	(136)	(286)
Closing balance	715	851
Total Intangible Assets	**13,452**	**13,409**

Description of the Group's Intangible Assets and Goodwill

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method.

(ii) Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 September 2017, the market capitalisation of the Group was above the book value of its equity, however the overall decline in oil and gas development activities around the world, as well as ongoing economic uncertainty, have led to a decreased demand for oil and gas services. As a result, management performed an impairment calculation as at 30 September 2017 for cash generating units with goodwill.

Asset integrity, Engineering (UK) and Diving cash-generating units
The Group used the cash-generating unit's value in use to determine the recoverable amount, which exceeded the carrying value. The projected cash flows were updated to reflect recent business developments and a post-tax discount rate of 11.27% for Australia and 10.85% for UK (31 March 2017: Australia 11.39%, UK 10.97%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.9% growth rate (31 March 2017: 2.3%). As a result of the updated analysis, management did not identify an impairment for the above cash generating units to which goodwill of $12.737m is allocated.

11. Intangible Assets and Goodwill (continued)

Carrying amount of goodwill allocated to each of the cash generating units (CGU)

	Consolidated Group	
	30 September 2017	31 March 2017
	$000	$000
Carrying amount of goodwill at CGU level		
Asset Integrity	3,000	3,000
Engineering UK	3,762	3,583
Diving - Australia	5,975	5,975
	12,737	12,558

Sensitivity to changes in assumptions
Management believe that no reasonably possible change in any of the below key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amount.

The key assumptions for the recoverable amount are discussed below:

Earnings – The forecast process was developed based on revenue expectations in the year built around existing customer contracts along with the potential to develop new markets and sustain growth. Gross margins were calculated on historical values and revenue mix within the various divisional segments throughout the Group with particular emphasis given to achieving consolidated earnings growth.

Growth rate assumptions – Rates are based on published industry research, which have been updated for the current economic outlook. However, given the economic uncertainty, further reductions to growth estimates may be necessary in the future.

Discount rates – The discount rate has been adjusted to reflect the current market assessment of the risks specific to the oil and gas service companies. This rate was further adjusted to reflect the market assessment of risks specific to the oil and gas industry. Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry.

All other assumptions remained consistent with those disclosed in the annual statements for the year ended 31 March 2017.

With regard to the assessment of value in use, there are no significant changes to sensitivity information disclosed in the annual consolidated financial statements for the year ended 31 March 2017.

12. Trade and Other Payables

	Consolidated Group	
	30 September 2017	31 March 2017
CURRENT	$000	$000
Unsecured liabilities		
Trade payables	3,220	5,579
Sundry payables and accrued expenses	7,764	7,452
Deferred Revenue	88	131
	11,072	13,162

	Consolidated Group	
	30 September 2017	31 March 2017
NON CURRENT	$000	$000
Unsecured liabilities		
Sundry payables and accrued expenses	-	44
Deferred Revenue	268	289
	268	333

Due to the short-term nature of these payables, their carrying value approximates their fair value. Current payables are on 30-45 day payment terms.

13. Contributed Equity

	Consolidated Group	
	30 September 2017 $000	31 March 2017 $000
61,441,291 (March 17: 61,441,291) fully paid ordinary shares	273,540	273,540
	273,540	273,540

Ordinary Shares	Consolidated Group	
	No.	$000
At 30 September 2016	61,441,291	273,540
Movements during the prior year	-	-
At 31 March 2017	61,441,291	273,540
Movements during the current period	-	-
At 30 September 2017	61,441,291	273,540

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

14. Capital and Leasing Commitments

		Consolidated Group	
		30 September 2017 $000	31 March 2017 $000
(a)	**Finance Lease Commitments**		
	Payable — minimum lease payments;		
	— not later than 12 months	174	340
	— between 12 months and 5 years	161	471
	Minimum lease payments	335	811
	Less future finance charges	(16)	(37)
	Present value of minimum lease payments	319	774

		Consolidated Group	
		30 September 2017 $000	31 March 2017 $000
(b)	**Operating Lease Commitments**		
	Payable — minimum lease payments;		
	— not later than 12 months	1,990	2,268
	— between 12 months and 5 years	5,702	7,279
	— longer than 5 years	2,873	2,380
		10,565	11,927

(c) The Group had contractual obligations to purchase plant and equipment for $316,562 at balance date (31 March 2017: $484,766). Commitments are in relation to survey equipment and ROV system upgrades. This commitment is expected to be settled within 12 months of the balance sheet date.

15. Guarantees

The Group has provided the following guarantees to its business associates which commit the group to make payments on behalf of these entities upon failure to perform under the terms of the relevant contracts.

	Consolidated Group	
	30 September 2017 $000	**31 March 2017 $000**
— Guarantees related to leases	1,532	1,532
— Performance guarantees	1,036	968
	2,568	2,500

16. Related Parties

Subsidiaries

The consolidated financial statements include the financial statements of Neptune Marine Services Limited and its controlled entities. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Ultimate parent

MTQ Corporation Limited is the ultimate parent entity and the parent of the Group is Neptune Marine Services Limited.

Transactions with related parties

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	**$000**	**$000**	**$000**
Entities with significant influence over the Group:				
Premier Estate Pte Ltd	-	48	-	9
Premier Sea & Land Pte Ltd	-	19	-	4
MTQ Corporation	-	252	-	-
MTQ Oilfield Services WLL	12	185	12	185
MTQ Engineering Pte Ltd	9	-	9	-
Binder Group	469	36	770	27
Total	490	540	791	225

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Any outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

17. Events after Balance Sheet Date

There have been no events after the balance sheet date that have a material impact on the financial report.

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Independent auditor's review report to the members of Neptune Marine Services Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Neptune Marine Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 September 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 September 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

T G Dachs
Partner
Perth
30 November 2017